



**Billing Code: 8070-01-P**

**FEDERAL HOUSING FINANCE AGENCY**

**12 CFR Part 1238**

**[No. 2014-N-7]**

**Orders: Supplemental Orders on Reporting by Regulated Entities of Stress Testing**

**Results as of September 30, 2013**

**AGENCY:** Federal Housing Finance Agency.

**ACTION:** Orders.

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**SUMMARY:** In this document, the Federal Housing Finance Agency (FHFA) provides notice that it issued Orders to supplement its Orders dated November 26, 2013 and December 13, 2013, with respect to the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation reporting results under section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

**DATES:** Effective [Insert date of publication in the Federal Register]. Each Order is applicable April 28, 2014.

**FOR FURTHER INFORMATION CONTACT:** Naa Awaa Tagoe, Senior Associate Director, Office of Financial Analysis, Modeling and Simulations, (202) 649-3140, [naaawaa.tagoe@fhfa.gov](mailto:naaawaa.tagoe@fhfa.gov); Stefan Szilagyi, Examination Manager, FHLBank Modeling, FHLBank Risk Modeling Branch, (202) 649-3515, [stefan.szilagyi@fhfa.gov](mailto:stefan.szilagyi@fhfa.gov); or Mark D. Laponsky, Deputy General Counsel, Office of General Counsel, (202) 649-3054 (these are not toll-free numbers), [mark.laponsky@fhfa.gov](mailto:mark.laponsky@fhfa.gov). The telephone number for the

Telecommunications Device for the Hearing Impaired is (800) 877-8339.

## **SUPPLEMENTARY INFORMATION:**

### **I. Background**

FHFA is responsible for ensuring that the regulated entities operate in a safe and sound manner, including the maintenance of adequate capital and internal controls, that their operations and activities foster liquid, efficient, competitive, and resilient national housing finance markets, and that they carry out their public policy missions through authorized activities. See 12 U.S.C. 4513. These Supplemental Orders are being issued under 12 U.S.C. 4514(a), which authorizes the Director of FHFA to require by Order that the regulated entities submit regular or special reports to FHFA and establishes remedies and procedures for failing to make reports required by Order. The Supplemental Orders provide to the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation a revised template to use in reporting to the public the severely adverse results of their respective stress tests.

### **II. Orders**

For the convenience of the affected parties, the text of the Orders, without appendices, follows below in its entirety. You may access these Orders with Appendices 11 and 12 from FHFA's Web site at <http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Issues-Scenarios-and-Guidance-to-FannieMae,-Freddie-Mac-and-the-Federal-Home-Loan-Banks-Regarding-Annual-Dodd-Frank-St.aspx>. The Orders will be available for public inspection and copying at the Federal Housing Finance Agency, Eighth Floor, 400 Seventh St., SW, Washington, DC 20024. To make an appointment, call (202) 649-3804.

The text of the Supplemental Orders is as follows:

**Federal Housing Finance Agency**

*Order Nos. 2014-OR-FNMA-1, and 2014-OR-FHLMC-1*

**SUPPLEMENTAL ORDER ON REPORTING BY REGULATED ENTITIES  
OF STRESS TESTING RESULTS AS OF SEPTEMBER 30, 2013**

*Whereas*, section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) requires certain financial companies with total consolidated assets of more than \$10 billion, and which are regulated by a primary Federal financial regulatory agency, to conduct annual stress tests to determine whether the companies have the capital necessary to absorb losses as a result of adverse economic conditions;

*Whereas*, FHFA’s rule implementing section 165(i)(2) of the Dodd-Frank Act is codified as 12 CFR part 1238 and requires that “[e]ach regulated entity must file a report in the manner and form established by FHFA.” 12 CFR § 1238.5(b);

*Whereas*, on November 26, 2013, FHFA issued an Order to each regulated entity accompanied by appendices numbered 1 through 10 and amended Summary Instructions and Guidance relating to the performance of stress tests as of September 30, 2013, and the reporting of the results of such tests;

*Whereas*, on December 13, 2013, FHFA issued a Supplemental Order to each regulated entity providing two additional appendices for use in reporting stress testing results as of September 30, 2013;

*Whereas*, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation timely submitted its stress test results pursuant to 12 CFR part 1238 and the implementing Orders, instructions, and guidance;

*Whereas*, after analyzing the results of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation stress testing and the methodologies and practices used in testing, pursuant to 12 CFR § 1238.4(c), FHFA required the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation to implement alternative stress testing techniques and exercises before publication of any results;

*Whereas*, FHFA has determined that the Federal National Mortgage Association’s and the Federal Home Loan Mortgage Corporation’s public reporting of the severely adverse results should reflect the alternative techniques and exercises required; and

*Whereas*, section 1314 of the Safety and Soundness Act, 12 U.S.C. § 4514(a) authorizes the Director of FHFA to require regulated entities, by general or

specific order, to submit such reports on their management, activities, and operations as the Director considers appropriate.

*Now Therefore*, it is hereby ordered as follows:

The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation shall publicly report as required by 12 CFR part 1238 the severely adverse results of the required stress testing using the template provided herewith as Attachment 1.

This Order is effective immediately.

Signed at Washington, DC, this 28<sup>th</sup> day of April, 2014.

Melvin L. Watt,  
Director, Federal Housing Finance Agency.

\_\_\_\_\_ Dated: April 28, 2014  
Melvin L. Watt,  
Director, Federal Housing Finance Agency.

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